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In the Supreme Court of the United States

OCTOBER TERM, 1953.

No. .....

ELIE P. AGHNIDES,

Petitioner,

v.

JOSEPH J. GOODRIE, *et al.*,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit entered in the above entitled case on February 24, 1954. A certified transcript of the record in this case, including the proceedings in the Court of Appeals, is furnished herewith in compliance with Rule 38 of the Rules of this Court.

OPINIONS BELOW.

The opinion of the District Court is unreported, and the opinion of the Court of Appeals is reported in 210 F. 2d, 859.

JURISDICTION.

The Judgment of the Court of Appeals was entered on February 24, 1954 (R. 606). A petition for rehearing was filed on March 10, 1954 (R. 607) and was denied on

March 31, 1954 (R. 621). The jurisdiction of this Court is invoked under 28 USC, 1254 (1).

QUESTIONS PRESENTED.

1. Does it constitute a compliance with Rule 52(a) of Federal Rules of Civil Procedure providing: "* * * the court shall find the facts specially," for the District Court, after conducting the trial of the action itself, without writing an opinion, to direct that counsel submit proposed findings of fact to a special master, who neither saw nor heard the witnesses, nor was present at the trial, "for the purpose of passing on such findings"?

2. Does the appointment of a special master simply to pass upon findings of fact proposed by counsel after the action had been tried before the court controvert the express mandate of this Court in *Los Angeles Brush Corp. v. James,* 272 U. S. 701, and *McCullough v. Cosgrave,* 309 U. S. 634, and the mandatory provisions of Rule 53(b) of the Federal Rules of Civil Procedure providing: "A reference to a master shall be the exception and not the rule. * * * a reference shall be made only upon a showing that some *special condition* requires it."?

3. Did the Court of Appeals commit error by reviewing a judgment not based upon findings of fact made by the trier of the facts as required by Rule 52(a) but made by a special master appointed contrary to the provisions of Rule 53(b)?

4. Is it proper for a Court of Appeals in passing on a judgment where the findings were entered as outlined above, to hold that "we find no justification for lending to the trial court's findings any less weight than we normally do under Rule 52(a). Consequently, our question is the usual one of whether there is adequate evidence to support them"?

5. Should not the Supreme Court resolve the conflict between the decision of the Court of Appeals for the 7th Circuit based on findings entered as outlined above, and the decision of the District Court for the Middle District of North Carolina,* based on extensive findings of fact and conclusions of law made by the trier of the facts?

6. Should not the Supreme Court resolve the conflict between the decision of the Court of Appeals of the Seventh Circuit and the decision of the District Court for the Middle District of North Carolina with respect to the validity of Aghnides Patent No. 2,210,846?

STATEMENT OF THE CASE.

On August 17, 1950, plaintiff brought the instant action charging infringement of Patent No. 2,210,846. The case was tried on November 12 to 14, 1951. The evidence consisted of the examination and cross examination of witnesses present at the trial, physical and documentary exhibits, and numerous demonstrations performed in open court.

Approximately a year later, on November 3, 1952, the trial judge announced his decision in the following terms:

> "In my opinion the Aghnides Patent Number 2,210,-846, upon which plaintiff relied in this case, is anticipated by British Patents Nos. 6,012 of 1909 and 405,316 of 1933, and is invalid. Counsel may present findings of fact and conclusions of law and submit them to Casper W. Ooms as Special Master in this case for the purpose of passing on such findings and conclusions."

Mr. Ooms, the Special Master thus appointed by the Court, had never had any connection with the case, did

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* *Aghnides v. Meyer's Co.*, 117 F. Supp. 839.

not see or hear the witnesses, did not observe any of the tests or demonstrations conducted before the trial judge, and was not present at any time during the trial. He received proposed findings of fact and conclusions of law from counsel for both parties and heard oral argument thereon on December 10, 1952. Defendants' proposed findings (Nos. 11, 12, 13, 18 and 19; R. 468) which were in dispute went beyond anything stated in the memorandum decision of the court and required a determination of the weight of evidence in the record, and, in particular, a determination of the effect of demonstrations performed in open court.

Thereafter, namely on February 18, 1953, the special master presented a draft report (R. 458) recommending the adoption of findings substantially as proposed by defendants including therein findings which related to subject matter admittedly not within the scope of, nor following from, the court's decision. He stated in part as follows (R. 459):

> "Based upon this review of the testimony the Master recommends the entry of findings 9 to 13, inclusive, in the accompanying findings of fact with the caution that they represent findings reached by the Master upon this independent examination of the evidence and do not purport to state any conclusions reached by the District Court. The findings which the Master recommends are not verbatim copies of those proposed by the defendants but do in substance incorporate the material of the findings originally proposed by defendants as findings 11, 12, 13, 18 and 19."

On March 5, 1953, the special master submitted a supplement to his report correcting minor clerical errors (R. 458) and noted plaintiff again objected to findings 9 to 13, inclusive.

On March 11, 1953, plaintiff moved for an oral hearing before the trial court on its objections to said findings (R. 473 and 474), in accordance with the provisions of Rules 6(d) and 53(e)(2).

On March 20, 1953, the court entered an order denying the plaintiff's motion for action upon the report of the special master re the proposed findings of fact and conclusions of law and without hearing, signed and entered the findings of fact as recommended by the special master without change (R. 478 to 486).

On March 30, 1953, plaintiff moved for rehearing or new trial on the ground, among others, that it was contrary to the Rules of Civil Procedure to refer the preparation of findings of fact to a master (R. 498). This was denied on April 10, 1953 (R. 506), without hearing.

On May 8, 1953, plaintiff filed its notice of appeal (R. 507), and said appeal came on for argument in the United States Court of Appeals for the Seventh Circuit on January 15, 1954.

On February 24, 1954, the Court of Appeals rendered its opinion, affirming the District Court and holding in part (R. 601 to 603):

> "At the outset we are met with plaintiff's contention that the findings are not entitled to the proverbial weight to be given trial court findings under Rule 52(a) of the Rules of Civil Procedure. He attacks only those heretofore summarized, insisting that they were proposed by the Master, who, though he had examined the oral and documentary evidence, did not see the tests performed in open court and that they were therefore wrongfully adopted by the court, after a protracted interval had intervened between the conclusion of the trial and the date of the entry of the findings. He argues that the court had forgotten the facts, and merely accepted the Master's proposals,

which did not take into consideration the tests which the court had observed. * * *

"The Master reported that there had been a dispute before him only as to findings 9 and 13 inclusive; that he had examined the evidence and that the findings suggested were based thereon and not upon the tests in open court and that he submitted them for such action as the court might consider proper upon the whole record. The Master did not make findings on the merits but explicitly stated that it was up to the court to do so, based upon the record and the court's knowledge of what had transpired at the trial. Of course, when the court entered the findings, they became its findings and not those of the Master; the latter's report was merely advisory; the court made the final determination. Furthermore the formal findings adopted were in strict conformity with the court's decision before it asked the parties to suggest more formal findings and conclusions.

"Under these circumstances, we find no justification for lending to the trial court's findings any less weight than we normally do under Rule 52(a). Consequently our question is the usual one of whether there is adequate evidence to support them. * * *"

On March 10, 1954, plaintiff filed a petition for rehearing (R. 607) which was denied on March 31, 1954 (R. 621).

SPECIFICATION OF ERRORS TO BE URGED.

The Court of Appeals erred:

1. In reviewing a judgment based upon Findings of Fact made by a special master who was not the trier of the facts, in direct violation of Rule 52(a) of the Rules of Civil Procedure.

2. In reviewing a judgment and approving a practice made and done in direct violation of Rule 53(b) of

the Rules of Civil Procedure and the mandate of the Supreme Court in *Los Angeles Brush Corp. v. James,* 272 U. S. 701 and *McCullough v. Cosgrave,* 309 U. S. 634.

3. In considering the findings of fact adopted on the basis of the recommendations of a special master and attaching to them the weight and effect provided by Rule 52(a).

4. In not holding the patent in suit valid and infringed.

REASONS RELIED ON FOR ALLOWANCE OF THE WRIT.

1. The procedure with respect to findings of fact adopted by the trial court and approved by the Court of Appeals is in violation of the procedure provided by Rule 52(a) and has deprived plaintiff of the benefits intended by said Rule and of the due process of law.

2. This procedure is also in violation of the provisions of Rule 53(b) providing for the appointment of a master only in exceptional cases.

3. The practice of referring the preparation of findings of fact to a master who did not hear or see the witnesses is a novel and dangerous procedure with far-reaching consequences to all litigants and to procedure in the district courts and courts of appeal, which should be passed upon by this Court.

4. This is the first case of its kind, so far as we are aware, and the departure from the mandate of Rules 52 and 53 should move this Court to enforce its mandate as expressed in *Los Angeles Brush Corp. v. James,* 272 U. S. 701, and *McCullough v. Cosgrave,* 309 U. S. 634, and to enforce those rules specifically prescribed by this Court to be followed by the District Courts of the United States pursuant to an act of Congress [Act of June 19, 1934,

c. 651 §§ 1, 2 (48 Stat. 1064), U. S. C., Title 28, §§ 723b, 723c].

5. The decision of the Court of Appeals is in direct conflict with a decision of the District Court for the Middle District of North Carolina, Greensboro Division, wherein the District Court, after being advised of the decision of the trial court in the instant case, adopted extensive findings (99 U. S. P. Q. 335) contrary to those entered by the trial court and made by the Master in the instant case. The District Court in North Carolina subsequently wrote a full opinion holding the patent valid and infringed,* and there was no appeal taken from his decision.

In view of the conflict of decision thus created, and in view of the circumstances surrounding the Court of Appeals' opinion, it is submitted that this Court should review and resolve the question of validity of the patent.

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* *Aghnides v. Meyer's Co.*, 117 F. Supp. 839.

ARGUMENT.

1. Violation of Procedure Prescribed by Rule 52(a).

Rule 52(a) of the Rules of Civil Procedure provides, "In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially * * *." It has many times been held that this requirement of the Rule is mandatory and must be complied with by the trial courts.

Woodruff v. Heiser, 150 F. (2d) 869 (C. A. 10);
Girard Trust v. United States, 149 F. (2d) 872 (C. A. 3);
Hazeltine Corp. v. Crosley Corp., 130 F. (2d) 344 (C. A. 6);
Matton Oil v. Diesel Tug "Dynamic," 123 F. (2d) 999 (C. A. 2);
Smith v. Dental Products Co., 168 F. (2d) 516 (C. A. 7).

In *Kochler v. United States*, 200 F. (2d) 588, the Court of Appeals for the Seventh Circuit said:

> "It seems appropriate to again point out how seriously important it is for trial courts to make adequate findings of fact and conclusions of law. Rule 52(a) provided that the court shall find the facts *specially*, and state *separately* its conclusions of law thereon. Referring to this rule and another we stated in Shannon v. Retail Clerks International Protective Association, 128 F. (2d) 533, 555, 'These are strongly worded, mandatory words which should be respected. They are not meaningless words.' "

Here the trial court, although it saw and heard the witnesses, observed the demonstration of the devices and participated fully in a three day trial, nevertheless did not make the Findings of Fact required by Rule 52(a) but on the contrary delegated that duty to a special master

who had not observed the witnesses, demonstrations or participated in the trial. Such circumstances clearly do not constitute "fair compliance" with Rule 52 which is "mandatory." It *does* constitute a deprivation of plaintiff's right to a full hearing by the trier of the facts and a deprivation of due process of law.

In *Smith v. Dental Products Co.*, 168 F. 2d 516 (C. A. 7), a judgment was entered by the lower court upon the transcript of testimony before a master who had not made findings of fact; and the Court of Appeals considered the full applicability of Rule 52 and reversed with directions to the District Court to direct a trial de novo so that the trier of the facts would make findings of fact and that a hearing within the recognized legal meaning of that word would be had. The Court held:

> "* * * As this court has said, 'a fair compliance with this rule is mandatory.' (140 F. 2d 355.) 'These are * * * mandatory provisions which should be respected; they are not meaningless words'; 'findings of fact on every material issue are a statutory requirement.' (158 F. 2d 141.) 'There must be such subsidiary findings of fact as will support the ultimate conclusion reached by the court. Kelley et al. v. Everglades Drainage District, 319 U. S. 415, 420, 422, 63 S. Ct. 1141, 87 L. Ed. 1485.' (164 F. 2d 333.) Clearly the ultimate finding of liability is not fair compliance and the failure of the District Court in this respect constitutes error under the facts of the case."

The Court further held:

> "* * * 'The requirement of a "full hearing" has obvious reference to the tradition of judicial proceedings in which evidence is received and weighed *by the trier of the facts.* The "hearing" is designed to afford the safeguard that the one who decides shall be bound in good conscience to consider the evidence, to be guided by that alone and to reach his conclusion

uninfluenced by extraneous considerations which in other fields might have play in determining purely executive action. The "hearing" is the hearing of evidence and argument. If the one who determines the facts which underlie the order has not considered evidence or argument, it is manifest that the hearing has not been given.' * * *" (Emphasis supplied.)

Clearly, in this case where the trial court states a single ultimate finding with respect to validity in one sentence and delegates to a master the responsibility of making some thirteen findings of fact thereon, there *has not been a full hearing* within the requirements of due process *nor has there been compliance with the rules* adopted by this Court for the conduct of procedure in the district courts.

The provision of Rule 52(a) that "Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses," presupposes that the findings are the findings of the trial judge and that they reflect the results of his deliberations and his resolution of conflicts of evidence based on his having presided at the trial and his having heard and seen the witnesses. If the findings are not the product of the trial judge who has brought his mind to bear on the conflicting evidence heard by him, but constitute merely an adoption of findings passed upon by a special master, who had no part in receiving the evidence or hearing the witnesses, they cannot serve the function intended by the Rule; and, when they are relied on by the Court of Appeals as correct, they deprive the litigant of the procedural and substantive rights intended by the Rules.

The Courts of Appeals generally, and among them the Court of Appeals of the Seventh Circuit, have repeatedly

given controlling effect to the findings of a District Judge under the provisions of Rule 52(a), but under circumstances where those findings were made by a trier of the facts who saw and heard the witnesses, saw demonstrations of the devices involved, and was in a position to give due regard to credibility of the witnesses in the formulation of the findings of fact.

Reinstine v. Rosenfield, 111 F. (2d) 892 (C. A. 7);
National Rejectors v. A. B. T. Mfg. Corp., 184 F. (2d) 612, 615 (C. A. 7);
Hazeltine Research Inc. v. Admiral Corp., 183 F. (2d) 953 (C. A. 7).

The vice in the present decision of the Court of Appeals is that the Court has extended a presumption of correctness required by the Rule to include findings prepared by a special master who did not hear or see the witnesses. The trial judge is the one charged by the Rule with the duty of finding the facts and the presumption of correctness provided by the Rule is based on the fact that he is the one who did hear and see the witnesses. Delegation to a special master of the function of preparing findings in a case he did not try is quite different from the procedure contemplated by Rule 53 under which issues are referred to a special master to receive evidence and prepare reports, including findings of fact and conclusions of law. In such a reference, Rule 53(c) provides for examining witnesses and making "a record of the evidence offered and excluded in the same manner and subject to the same limitations as provided in Rule 43 (c) for a court sitting without a jury." In the present case the master was not appointed to receive evidence and hear witnesses, but rather to advise the trial judge as to what findings and conclusions the trial judge should arrive at on the basis of evidence which the trial

court heard and which the special master did not. The court's *adoption, without change,* of the recommendations of the master, *without giving counsel an opportunity to be heard,* can hardly be considered as the independent findings of the court based on the evidence, particularly when it appears that the trial took place some 16 months prior thereto.

The formal findings recommended by the master and adopted without change by the trial court were plainly *not* "in strict conformity with the court's decision," as stated by the Court of Appeals. The trial court's decision merely held the patent in suit invalid because anticipated by two British patents. The elaborate findings recommended by the master and adopted by the trial court contained many findings admitted by the master to relate to the demonstrations made at the trial of models of the two British patents and not observed by the master.

The master did *not* say that the disputed findings he recommended were based on his examination of the evidence "and not upon the tests in open court," as stated by the Court of Appeals. He said "Based upon this (his) review of the testimony the Master recommends the entry of findings 9 to 13, inclusive, in the accompanying findings of fact with the caution that they represent findings reached by the Master upon this independent examination of the evidence and do not purport to state any conclusions reached by the District Court. The findings which the Master recommends are not verbatim copies of those proposed by the defendants but do in substance incorporate the material of *the findings originally proposed by defendants* as findings 11, 12, 13, 18 and 19."

In other words, the master adopted in substance defendants' findings which were in fact based upon the demonstrations, at least in part, and recommended entry of

those findings upon his independent examination of the transcript. *The trial court signed the findings thus recommended without changing a single word.*

The Court of Appeals attempted to justify the District Court's findings by stating that they, too, had the benefit of tests in open court at the time of the argument before the Court of Appeals. Those few tests were made during the course of a 45 minute argument, whereas the trial of the case in the lower court occupied three full days of which a substantial part was devoted to tests. Aghnides moved for additional time at the appeal hearing, in order that more adequate tests could be made, but the motion was denied.

Plaintiff has been injured and a dangerous precedent has been established which should be reviewed by this Court.

2. Violation of Procedure Prescribed by Rule 53(b) and of the Mandate of This Court.

Rule 53(b) of the Rules of Civil Procedure provides:

> "A reference to a master shall be the *exception* and not the rule. * * * in actions to be tried without a jury, save in matters of account, a reference shall be made only upon a showing that some exceptional condition requires it."

It has been uniformly held that the requirement of this rule is mandatory and must be complied with by the trial courts.

Newman & Bisco v. Realty Associates Securities Corp., 173 F. 2d 609, 611 (C. A. 2, 1949);

Hartford-Empire Co. v. Shawkee Mfg. Co., 5 F. R. D. 46, 48 (W. D. Pa. 1946);

Adventures In Good Eating, Inc. v. Best Places To Eat, Inc., 131 F. 2d 809, 815 (C. A. 7, 1942).

In *Webster Eisenlohr, Inc. v. Kalodner*, 145 F. 2d 316 (C. A. 3, 1944) the Court noted that the appointment of a master without a showing of special circumstances was a "serious" question. That Court held (319):

> "On principle, however, the matter seems clear. Rule 53 is explicit in its statement that 'A reference to a master shall be the exception and not the rule' and that in actions to be tried without a jury 'a reference shall be made only upon a showing that some exceptional condition requires it.' It is clear, we think, that a master is appointed only to help the court in a case where the help is needed. His appointment and activities are only for the purpose of assisting the court to get at the facts and arrive at a correct result in a complicated piece of litigation pending before the court. * * *"

In the instant case where the devices involved were extremely simple and the trial of the action entailed only a period of three days, it is quite obvious that the making of thirteen Findings of Fact could not possibly have been complicated or the subject of an "exceptional condition."

Rule 53(b) is substantially the same as former Equity Rule 59. In construing the power of the District Court to appoint a master pursuant to that rule, this Court in *Los Angeles Brush Mfg. Corp. v. James*, 272 U. S. 701 (1927) stated its view in unmistakably strong language that the District Courts were to proceed with caution in the appointment of special masters and were to do so only in situations coming strictly within the intent of the rule. The Court viewed a violation of this rule serious enough to call for the exercise of its mandamus power:

> "* * * we think it clear that where the subject concerns the enforcement of the Equity Rules which by law it is the duty of this Court to formulate and put in force, and in a case in which this Court has the

> ultimate discretion to review the case on its merits, it may use its power of mandamus and deal directly with the District Court in requiring it to conform to them. * * * If it clearly appeared, however, that a practice had been adopted by district judges, as to the order or procedure in hearing causes, at variance with the equity rules, our writ might well issue directly to such judges." (706.)

This Court then stated, with respect to Equity Rule 59 dealing with the appointment of masters only in the event a special condition exists, that they were:

> "* * * content to state our views on the general subject, with confidence that the district judges will be advised how important we think these two rules are and that we intend, so far as lies in our power, to make them reasonably effective for the purpose had in view in their adoption." (708.)

In the present case, no showing was made of any exceptional condition requiring reference to a master. The only apparent reason which might have been given was that the District Judge was too ill to make simple findings, but such a reason has been rejected by this Court in *McCullough v. Cosgrave,* 309 U. S. 634 (1940), where the court summarily vacated the appointment of a master citing Rule 53 (b) and the *Los Angeles Brush Mfg. Corp.* case, *supra.* Despite the fact that the order of reference had recited that the judge to whom the case had been assigned was unable to try it because of ill health and that the trial would be a protracted one involving complicated issues, this Court nevertheless vacated the order of reference and directed that the trial of the case be by the District Court in due course.

The reference to a master in this case for the simple purpose of making findings of fact with respect to a three-day trial conducted before a judge of the District Court,

is clearly a wide departure from the prohibition expressed in Rule 53(b) and directly violative of the mandate of this Court contained in the *Los Angeles Brush Mfg. Corp.* and *McCullough* cases.

As stated in *Hickman v. Taylor,* 329 U. S. 495, 497 (1947):

> "This case presents an important problem under the Federal Rules of Civil Procedure."

and it involves the duty of this Court to require the District Courts to comply with the Federal Rules of Civil Procedure promulgated by this Court for the conduct of cases in the United States District Courts.

3. Conflict of Decisions.

While it is recognized that ordinarily a direct conflict between the decision of a Court of Appeals and a District Court with respect to patent validity may not be sufficient ground for granting certiorari by the Supreme Court, the special circumstances surrounding the conflicting decisions here are believed fully to warrant resolution by the Supreme Court.* These circumstances include the following:

1. Petitioner clearly has been deprived of his rights under the law by reason of the failure of the trial court below to make proper findings under the rules, and by the court's adoption, without hearing plaintiff, of disputed findings recommended by a Special Master who was wholly unqualified to pass upon such findings because of his non-participation in the trial.

2. The Court of Appeals expressly condoned and affirmed this highly irregular procedure by the trial judge, constituting a plain departure from the Rules of Civil

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* *Gulf States Steel Co. v. U. S.*, 287 U. S. 32; *Hammond Clock Co. v. Schiff*, 293 U. S. 529.

Procedure, which is a sanctioning of "such a departure by the lower court," set forth in Supreme Court Rule 38(5)(b) as being a reason of the character to be considered by the Supreme Court in passing upon a petition for certiorari.

3. The District Court for the Middle District of North Carolina, Greensboro Division, in his opinion holding the patent valid in *Aghnides v. Meyer's Co., supra,* said:

> "Due consideration has been given to the one District Court of Chicago decision adverse to the basic Aghnides patent on Felten or Solomon patents but we are unable to follow it. *Triplett v. Lowell,* 297 U. S. 638-642, 56 S. Ct. 645, 80 L. Ed. 949; *Stoody Co. v. Osage Metal Co., Inc.,* 10 Cir., 95 F. 2d 592-593; *Hazeltine Research v. General Electric,* 7 Cir., 183 F. 2d 3-6."

The North Carolina Court had previously made extensive findings of fact and conclusions of law and entered a decree adjudging the patent good and valid at law (99 U. S. P. Q. 335). Certainly, the North Carolina decision should be weighed by the Supreme Court in direct contrast to the brief and inadequate decision of the Chicago District Court appointing a Master to pass on findings, followed by the adoption by the court of the disputed findings recommended by the master, without change and without hearing the plaintiff.

4. There is an inequitable situation existing in the plumbing fixture industry as a result of the conflicting decisions. During the past six or seven years several leading manufacturers have paid royalties on millions of aerators made under licenses under the Aghnides patent, and are still operating under the license agreements. Other manufacturers are bound by the North Carolina decree, while still others are disregarding the patent in view of

the Chicago decree. The Supreme Court should resolve this situation once and for all.

5. The decision of the North Carolina District Court was not appealed by the defendant, the Meyer's Company, so that plaintiff Aghnides, petitioner here, is unable at this time to urge in this Court a conflict between decisions of two Courts of Appeal with respect to patent validity as a further reason relied upon for the grant of certiorari.

CONCLUSION.

WHEREFORE, your petitioner respectfully prays that a writ of certiorari be issued to the United States Court of Appeals for the Seventh Circuit to the end that this cause may be reviewed and determined by this Court; that the judgment of the Court of Appeals for the Seventh Circuit and that of the District Court be reversed, and that petitioner be granted such other and further relief as may be proper.

ELIE P. AGHNIDES,

ALBERT L. ELY,

Counsel for Petitioner.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1954

No. 160

ELIE P. AGHNIDES,

Petitioner,

vs.

JOSEPH J. GOODRIE AND
WRIGHTWAY ENGINEERING CO.,

Respondents.

RESPONDENTS' BRIEF OPPOSING PETITION FOR WRIT OF CERTIORARI

This is a patent controversy of the usual kind involving the issues of validity and infringement. The District Court has held petitioner's patent in suit to be invalid for anticipation and lack of invention over the prior art, and the United States Court of Appeals for the Seventh Circuit has affirmed that holding and has also ruled that defendants-respondents do not infringe (R. 600). No valid reason appears to exist under the rules and decisions of this Court for granting a petition for writ of certiorari.

Petitioner's Questions Presented, Specification Of Errors To Be Urged and Reasons Relied On For Allowance Of The Writ as well as his statements of fact and argument, are not only incomplete but quite misleading. Such questions, alleged errors and reasons, as stated abstractly by

petitioner, are in the main at variance with the record and omit controlling facts necessary to an understanding of the true issues before this Court.

RESPONDENTS' STATEMENT OF QUESTIONS PRESENTED FOR REVIEW

1. Does a District Court find the facts in accordance with Rule 52(a) of the Rules of Civil Procedure where,

> (a) after a trial of a patent case on the merits, the District Court makes a general finding of invalidity of the patent in suit on the ground of anticipation and then requests the parties to prepare proposed findings and conclusions and to submit them to a Special Master for the purpose of passing on such findings and conclusions,
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> (b) and thereafter the parties submit proposed findings, conclusions and supporting memoranda to the Master who forwards the papers of all the parties to the District Court for consideration and final determination by said Court with the recommendation that the findings and conclusions substantially in accordance with those submitted by the defendants-respondents appear proper,
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> (c) and the District Court, after review and consideration of all proposals submitted by the parties, adopts, signs and enters as his own the formal findings and conclusions in favor of defendants-respondents?

2. Should the Supreme Court of the United States make an exception to its long established policy of Rule 19 (1) (b) and grant certiorari where the alleged conflict of decision is not between courts of appeals but between an affirming decision of a Court of Appeals and a default judgment entered by a District Court in a case which was uncontested by the defendant therein?

THE DISTRICT COURT, NOT THE MASTER, MADE AND ENTERED THE FINDINGS OF FACT AND CONCLUSIONS OF LAW IN ACCORDANCE WITH RULE 52(a)

The District Court did not direct that his duty of making findings and conclusions be delegated to the Master, as plaintiff erroneously states. The District Court, by the express wording of its memorandum of November 3, 1952 (R. 456) and before any reference to the Master, made the principal finding that the patent in suit was anticipated and invalid and then directed that counsel should prepare formal findings and conclusions, as is customary,* and submit them to the Master for the purpose of merely passing on them. This was done. The Master, at an oral hearing attended by counsel for the parties, served the function of getting the parties to agree as far as he could on Findings 1 to 8 and then passed on to the District Court final decision on the disputed findings 9 to 13. The Master neither made nor entered the findings as plaintiff argues. The disputed findings were substantially the same as submitted by respondents' counsel (R. 459) and the District Court was advised that respondents' counsel agreed to their entry (R. 475).

Prior to entry of the Findings and Conclusions, the District Court had fully weighed and considered the views of the Master and counsel for both sides. He had considered not only the Master's report and suggested findings and conclusions agreed to by respondents' counsel, but also petitioner's proposed substitute findings and conclusions and his arguments in support thereof and in opposition to the

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* *Hazeltine Research* v. *Admiral Corp.*, 183 F.2d 953 (C.A. 7). *Saco-Lowell* v. *Reynolds*, 141 F.2d 587 (C.A. 4). *Schilling* v. *Schwitzer-Cummins*, 142 F.2d 82, 83 (C.A. D.C.).

findings passed upon by the Master. All this material had been submitted to the District Court by the Master for his consideration (R. 457).

The record herein establishes a vastly different picture than that which petitioner attempts to paint in his petition and brief. With his first letter of February 18, 1953* to the District Court (R. 456-7), the Master transmitted his draft report and copies of findings and supporting memoranda proposed by both parties, and he therein advised the District Court:

> "There was a dispute at the hearing as to whether or not the Master should enter any findings on these demonstrations in Court and *I assured the parties I would submit their respective versions to you for resolution.*"**
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> "Because of this dispute between the parties, I have not only discussed this briefly in the report but I am writing you this letter in order that you may consider the alternatives presented by the findings of the respective parties and the possible alternative of not entering findings on this subject at all, *depending upon what your recollection of the proceedings may suggest.*"

Then, in his letter of March 5, 1953 to the District Court (R. 458), the Master stated:

> "Plaintiff has again raised the question which is discussed briefly in the foregoing report of whether or not the District Court should enter findings 9 to 13 inclusive. *This question has been submitted to the Court for disposition.*"

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*All the documents which give a rather full picture of what transpired with respect to the Master, the findings and conclusions and the petition for rehearing and new trial, are reproduced on pages 456-506 of the record.

**Emphasis ours except where noted otherwise.

The report of the Master (R. 458-461) summarizes the manner in which the findings and conclusions were handled, as follows:

> "The parties remain in dispute as to the propriety of the entry of additional findings with respect to the operation of the models of the structures disclosed in the Felten and Solomon British patents, both on the ground that the Master did not attend the trial and observe the demonstrations made there of these models and on the ground that this Court's Memorandum Order did not contain any findings with respect thereto.
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> *Thereupon the parties were given an opportunity to submit proposed findings on this subject for transmittal to the Court with the assurance that the proposed findings of both parties would be transmitted to the Court for consideration.*
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> Based upon this review of the testimony the Master recommends the entry of findings 9 to 13, inclusive, in the accompanying findings of fact with the caution that they represent findings reached by the Master upon this independent examination of the evidence and do not purport to state any conclusions reached by the District Court."

On March 11, 1953, petitioner presented to the District Court his objections (R. 470-3) to the Master's report pointing out that:

> "findings which are based on visual tests and demonstrations made in Court and on testimony relating thereto can be made fairly and accurately only by the Judge who witnessed the tests and had the opportunity of listening to the witnesses and judging their credibility."

In reply to petitioner's objections (R. 474-477) and prior

to entry of the Findings and Conclusions, respondents pointed out to the District Court that:

> "Plaintiff's main complaint is that the Master was without authority to make any recommendations. Plaintiff misses the point entirely, although the Master's report is quite clear. The Master did not himself adopt or enter any Findings and Conclusions. He explicitly stated that it was up to this Court to do so based upon the record, exhibits and this Court's knowledge of what transpired at the trial. He merely reported the situation as he saw it, but he did not usurp any powers of this Court as plaintiff seems to believe. When this Court enters the Findings and Conclusions, they will be this Court's Findings and Conclusions and not those of the Master. The Master was merely advisory and this Court makes the final determination."

Thereafter, when the District Court signed and entered the Findings and Conclusions on March 20, 1953, after full consideration of the contentions of the parties as above set forth, such Findings and Conclusions became those of the District Court based upon not only the record but his own personal recollection of what had transpired at the trial.

Following entry of the Findings, Conclusions and the Judgment, petitioner filed a motion for rehearing or new trial (R. 489) and a supporting memorandum (R. 493) in which he reargued the Findings and Conclusions. Respondents promptly answered four days later (R. 501). Thereafter, on April 10, 1953, the District Court entered the following order denying the petition (R. 506):

ORDER

> "This Court having duly considered plaintiff's motion for rehearing or new trial and the memoranda of the

parties filed respecting the same, *and the Court being convinced that the entry herein of Findings of Fact and Conclusions of Law and the Judgment were unaffected by the Court's illness, and this Court having determined that plaintiff's motion is without merit.*

It Is Hereby Ordered and plaintiff's said motion be and is hereby denied.

Holly,
Judge."

For petitioner to argue that "there has not been full hearing within the requirements of due process" is indulging in pure fantasy.

Consequently, in view of the above facts of record which petitioner chooses to ignore, the District Court did "find the facts specially and state separately its conclusions of law thereon" as required by Rule 52(a). The District Court fully complied with the rule and with all the general principles in the numerous cases cited by petitioner. The District Court, not the Master, found the facts. This was so recognized by the Court of Appeals when it stated (R. 603):

"The Master did not make findings on the merits but explicitly stated that it was up to the court to do so, based upon the record and the court's knowledge of what had transpired at the trial. Of course, when the court entered the findings, they became its findings and not those of the Master; the latter's report was merely advisory; the court made the final determination. Furthermore the formal findings adopted were in strict conformity with the court's decision before it asked the parties to suggest more formal findings and conclusions.

Under these circumstances, we find no justification for lending to the trial court's findings any less weight than we normally do under Rule 52(a). Consequently our question is the usual one of whether there is adequate evidence to support them.

Moreover, it is of great significance that nowhere in his present petition does petitioner demonstrate or even contend that the Findings and Conclusions are not supported by the record. The Court of Appeals conclusively found otherwise (R. 604):

> "We, too, have had the benefit of tests in open court at the time of the argument before us. We, too, have the transcript of the oral and documentary evidence. After careful consideration of all that has been presented, we think the trial court was amply justified in entering the findings and conclusions of which complaint is made. Indeed, we are of the opinion that any determination to the contrary would have been erroneous."

APPOINTMENT OF MASTER NO VIOLATION OF RULE 53(b) OF RULES OF CIVIL PROCEDURE

Petitioner's ancillary ground that the appointment of the Special Master violated Rule 53(b) has now been raised for the first time in this litigation. It is wholly without merit, particularly in view of the facts established by the record. The District Court tried the case on the merits and made the principal finding in his memorandum that the patent in suit was invalid for anticipation (R. 456). The Master was not at all involved on the merits. He served merely a procedural function.

The cases of *Los Angeles Brush Corp.* v. *James,* 272 U.S. 701, and *McCullough* v. *Cosgrave,* 309 U.S. 634, cited by petitioner, are therefore not in point since in those cases the main issues of validity and infringement were referred to a master for trial and decision. Here the reference to the Master was solely for the purpose of passing on the formal findings submitted by the parties and in getting the parties to agree as far as possible. But it

was not for the purpose of having the Master make or enter findings or have anything to do with the merits of the case.

Moreover, petitioner has waived all right to question the matter of reference to the Master. When the Master was appointed on November 3, 1952, petitioner raised no objection to the reference for the stated purpose and filed no motion that the reference be withdrawn. Petitioner's counsel without objection attended the single short hearing before the Master and agreed to findings 1 to 8 and argued the others. At no time before the District Court did petitioner question the reference. His arguments, all fully considered by the District Court, were at all times directed to the disputed findings but not to the reference itself.

Consequently, petitioner cannot now be heard on appeal to complain as to the reference nor as to any supposed violation of Rule 53(b). Such was the holding in *Coyner et al.* v. *U.S.*, 103 F. 2d 629, 635 (C.A. 7, 1939), wherein the Court stated:

> "In effect, counsel's argument before this court was an attack on the propriety of the trial court's reference. We find it unnecessary to consider this argument. It is clear that at the trial defendant did not question the extent of the court's power to order a compulsory reference in a law case. Defendant raises the problem for the first time in this court. If either party desires to controvert the propriety of the reference, the proper practice would be to move before the trial court for a revocation of the reference. Failure to make such a motion is to us tantamount to acquiescence and consent, and the point cannot be initially raised before this court."

See also *Mauro* v. *Rodriguez*, 135 F. 2d 555 (C.A. 1, 1943).

NORTH CAROLINA SUIT UNCONTESTED

There is no conflict of decisions between Courts of Appeals of different circuits so as to warrant the granting of this petition. The only judgment contrary to that of the Court of Appeals for the Seventh Circuit was rendered in *Aghnides* v. *Meyer's Co.* by the District Court for the Middle District of North Carolina and no appeal was taken therefrom. (99 U.S.P.Q. 335.)

The North Carolina District Court case certainly is no basis on which this Court should make an exception to its established Rule 19(1)(b). Unlike the present Chicago suit wherein the issues were hotly contested by the parties in both the District Court and in the Court of Appeals for the Seventh Circuit, *the North Carolina suit was, in fact, uncontested,* as shown in the reported Findings and Conclusions of that suit, 99 U.S. P.Q. 335, 339. *It was a judgment by default.* As against the well considered decision of the Court of Appeals of the Seventh Circuit, the North Carolina judgment is entitled to little or no weight. The term "conflict of decision" is hardly appropriate here as it assumes full-fledged contests in different courts on the same issues on a similar record.

Petitioner, by his abstract treatment of this alleged "conflict of decision," failed to advise this Court as to the following significant facts regarding his North Carolina suit:

1. Petitioner, a resident of New York City, elected to bring suit in the Middle District of North Carolina against The Meyer's Co., a department store in Greensboro, North Carolina, which had sold only 12 infringing devices having a total value of only ten or twelve dollars. The manufacturer of these devices was Marshall Metal Products, Inc.,

also of New York City, where petitioner could readily have brought suit against the manufacturer rather than against a small dealer in a far-removed district.

2. The manufacturer, Marshall Metal Products, refused to intervene in North Carolina to defend its dealer. Since The Meyer's Company had sold only 12 devices, it had no interest in spending money in defending the suit and consequently it prepared no defenses for the trial. The suit was undefended. There was no contest.

3. At the trial which lasted less than one day, Meyer's attorney produced no patents, no models, no charts, no witnesses, and no evidence of any kind whatsoever in support of any defense. He did not cross-examine any of plaintiff's witnesses nor inquire into any of petitioner's water tests or models to show them in their true light. In Finding of Fact XXIX (99 U.S.P.Q. 335, 339) the North Carolina District Court found:

> "the Defendant offered no evidence in support of its defense, did not cross-examine any witnesses, and entered no motions."

Since the North Carolina Court did not have the benefit of a well-informed opposition, it was not fully advised on all the issues. It was a one-sided default trial, and the Court had no alternative but to enter Findings, Conclusions and a Decree in petitioner's favor. The Court did not even call for briefs.

4. The District Court awarded petitioner only $1.00 as damages by reason of Meyer's sale of the 12 devices (N.C. Conclusion VI, 99 U.S.P.Q. 335, 339).

5. Petitioner's models of the prior art and patented structures which were tested in the North Carolina trial (N. C. Finding XXI, 99 U.S.P.Q. 335, 339) gave results

much different than the models before the Chicago District Court and the Court of Appeals of the Seventh Circuit. Hence, the models were different and the evidence was different in the two suits. The North Carolina models were not checked or questioned by any knowing opposition. The alleged conflicting decisions are based upon different evidence.

6. And, as the Court of Appeals for the Seventh Circuit was advised in our briefs and at the hearing, the findings and conclusions in the North Carolina suit were prepared in their entirety by petitioner's counsel and adopted without change by the Court. We do not criticize that well accepted procedure but we raise the point against petitioner's cry here that the District Judge in this action did not prepare the findings with his own hand.

We also point out that petitioner will have full opportunity to litigate the patent in suit in the Second Circuit in the declaratory judgment action which Marshall Metal Products, Inc. has brought in the Southern District of New York against petitioner (99 U.S.P.Q. 335, 339). Unquestionably, that will be a well contested law suit wherein the Court will have the benefit of a well informed opposition and all defenses will be fully presented. In the event a decision of the Court of Appeals of the Second Circuit should be conflicting with that of the Court of Appeals of the Seventh Circuit, then that will be the proper time to apply to this Court for settlement of the conflict.

CONCLUSION

The Findings and Conclusions, attacked by petitioner in this action, were entered by the District Court (and not the Special Master) after full and fair consideration of proposed findings, conclusions and memoranda of both parties.

Petitioner's claim of prejudice is but a sham and his claim of irregular procedure is the usual cry of a losing litigant who is grasping at straws.

The North Carolina District Court decision is entitled to little consideration on the issue of conflict of decision.

We respectfully urge that the petition be denied.

Respectfully submitted,

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